

Message Text

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USDOC WASHDC

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AMEMBASSY PARIS

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USDOC FOR INVESTMENT POLICY DIVISION

TAGS: EINV, ELAB, ETRD, XX

SUBJECT: INTERNATIONAL INVESTMENT POLICY OF THE FRG

REF: STATE 242996

THE FRG FOLLOWS A LIBERAL POLICY TOWARDS FOREIGN INVESTMENT. FOREIGN AND DOMESTIC INVESTORS ARE ACCORDED EQUAL TREATMENT AND THEREFORE FOREIGN INVESTORS MAY PARTICIPATE IN SPECIAL PROGRAMS OF THE FEDERAL, STATE AND LOCAL GOVERNMENTS WHICH OFFER INDUCEMENTS FOR INVESTMENT. THERE ARE NO PROGRAMS AIMED EXCLUSIVELY AT

ENTICING FOREIGN DIRECT INVESTMENT.

2. DESCRIPTIONS OF FEDERAL

AND STATE INVESTMENT INCENTIVE PLANS, SINCE THEY CAN BE A FACTOR, ALTHOUGH SMALL IN OUR JUDGEMENT, IN ATTRACTING FOREIGN CAPITAL, ARE CONTAINED IN THE PRIVATE PUBLICATION, "DIE FINANZIERUNGSHILFEN DES BUNDES

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UND DER LAENDER AN DIE GEWERBLICHE WIRTSCHAFT". WE RECEIVED THE 1977 EDITION ONLY TODAY AND WILL SEND IT BY POUCH.

3. IN BRIEF, INVESTMENT INCENTIVES OF THE FEDERAL AND STATE GOVERNMENTS ARE PROVIDED FOR APPROVED INVESTMENTS IN MANPOWER, TECHNOLOGY AND INFRASTRUCTURE DEVELOPMENTS. THE INCENTIVE CAN COME FROM: TAX RELIEF, PREFERENTIAL

TERMS AND CONDITIONS ON LOANS, FREE OR SUBSIDIZED REAL ESTATE FOR CAPITAL EQUIPMENT, LAND AND ROAD DEVELOPMENT- ETC. FEDERAL INCENTIVES, INCLUDING THOSE MENTIONED ABOVE, ARE ALSO AVAILABLE TO PROMOTE INVESTMENT IN STRUCTURALLY WEAK AREAS IN THE FRG AND PARTICULARLY IN THE FRG/DDR BORDER REGION. FOR EXAMPLE, BUSINESS LOCATING IN A STRUCTURALLY "WEAK" OR BORDER AREA MAY BE ELIGIBLE

FOR A REFUND OF THEIR INVESTMENT OUTLAYS OF UP TO A MAXIMUM OF 25 PERCENT. THE PERCENTAGE CAN AND DOES VARY DEPENDING ON THE PERCEIVED NEED IN AN AREA.

4. MUNICIPALITIES AND LOCAL COMMUNITIES ALSO FROM TIME TO TIME OFFER SIMILAR INCENTIVES IN ORDER TO ATTRACT INDUSTRY. INVESTORS IN WEST BERLIN ENJOY EVEN MORE ATTRACTIVE BENEFITS. BUSINESS LOCATING IN WEST BERLIN CAN BE FAVORED BY REFUNDS OF CERTAIN TURNOVER TAXES, FAVORABLE DEPRECIATION ALLOWANCES, RISK GUARANTEES, A LOWER CORPORATE TAX RATE, AND THE ABOVE-MENTIONED INVESTMENT REBATE SCHEME.

5. IN MOST INSTANCES
FEDERAL OR STATE INCENTIVES WOULD NOT IN OUR OPINION BE A MAJOR FACTOR IN ATTRACTING SIZABLE FOREIGN DIRECT INVESTMENT. SMALL AND MEDIUM-SIZED FIRMS ARE THE PRIMARY TARGET OF SUCH PROGRAMS. INVESTMENT, EITHER DOMESTIC OR FOREIGN, OF SIGNIFICANT PROPORTIONS IS MORE LIKELY TO
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RESULT FROM THE EFFORTS OF MUNICIPALITIES OR COMMUNITIES WHICH ON A CASE-BY-CASE BASIS NEGOTIATE INCENTIVES TO

ATTRACT INDUSTRY IN ACCORDANCE WITH THEIR SPECIAL NEEDS.

6. PERFORMANCE AND/OR LABOR AND EMPLOYMENT REQUIREMENTS DO NOT PLAY A ROLE IN THE FEDERAL OR STATE GOVERNMENT PROGRAMS. AGREEMENTS BETWEEN FIRMS AND LOCAL COMMUNITIES COULD CONTAIN EMPLOYMENT CRITERIA AS JOB CREATION IS VIRTUALLY ALWAYS THE QUID PRO QUO IN THESE ARRANGEMENTS.
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